

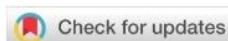
# Halal Certification Literacy for MSME Enterprises 'Aisiyiah Tranting Market Sipirok

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## Article Information:

Received December 17, 2023

Revised January 14, 2024

Accepted January 17, 2024

## Keywords:

Halal Certification; Literacy;  
MSME 'Aisiyiah Sipirok  
Market

## Abstract

MSME business actors have a significant role in the Indonesian economy. However, there are still various obstacles faced by MSME business actors, including those related to halal certification literacy. Based on data from the Halal Product Guarantee Organizing Agency (BPJPH), only around 2.8% of MSMEs in Indonesia have been halal certified. The low level of halal certification among MSMEs is caused by a lack of understanding and literacy regarding the procedures and benefits of halal certification. Sipirok Market is one of the traditional markets in Indonesia with the majority of traders selling various food and beverage products, but the majority do not have halal certification. Therefore, it is important to carry out halal certification literacy activities aimed at MSMEs in 'Aisiyiah Branch of Sipirok Market. Data collection was carried out through focus group discussions, observations and questionnaires. Based on an initial survey conducted on 25 MSMEs at Sipirok Market, it was discovered that as many as 18 MSMEs (72%) had not received halal certification from BPJPH. They generally still do not understand the procedures and requirements needed to obtain halal certification. Apart from that, they also don't know the benefits that can be obtained by having halal certification for the products they sell. Based on the results of community service activities, it can be concluded that halal certification literacy for MSME business actors in the Sipirok Market Branch is still relatively low.

## A. Introduction

Small, Micro and Medium Enterprises (MSMEs) have an important role in improving the national economy (Nursini, 2020; Suhaili & Sugiharsono, 2019). This can be seen from the composition of business units in Indonesia which is dominated by the micro, small and medium business sector at 64.2 million or 99.9%. Apart from that, the MSME sector contributes greatly to Gross Domestic Product (GDP) in Indonesia amounting to 61.07% or around IDR 8,573.89 trillion (Mardhotillah et al., 2022). However, MSMEs in Indonesia still face various challenges in developing their businesses. One of the challenges faced by MSMEs is related to halal certification of the products they produce. Halal certification is a guarantee of the halalness of a product in accordance with Islamic law. This certification is important for MSMEs, especially those operating in the food and beverage sector, to be accepted by Muslim consumers (Hanım & Noorman, 2023; Nur et al., 2021; Tumiwa et al., 2023).

MSME business actors have a significant role in the Indonesian economy. However, there are still various obstacles faced by MSME business actors, related to halal certification literacy. Halal certification is an important factor in marketing MSME products, especially in traditional markets. Therefore, increasing halal

certification literacy for MSME business actors is very necessary to support the development of their businesses (Dawam & Iswandi, 2023; Pratikto et al., 2023).

According to the Head of BPJPH M. Aqil Irham, "A total of 30 million business products require halal certification. However, up to now, only around 725 thousand products have been halal certified and 405 thousand of them come from the MSME sector. Based on data from the Halal Product Guarantee Agency (BPJPH), only around 2.8% of MSMEs in Indonesia have been halal certified. The low level of halal certification among MSMEs is caused by a lack of understanding and literacy regarding the procedures and benefits of halal certification. Therefore, increasing halal certification literacy for MSMEs is important to do. With adequate literacy, it is hoped that MSMEs can understand halal certification procedures so that more and more will get halal certificates for their products.

Halal literacy is a person's or community's knowledge and understanding of a product that they will consume (Maryam & Sumar'in, 2022; Muarrifah & Puspitarini, 2023). Whether a product is halal or haram is not only limited to the halal label, but the public must also understand and know whether the goods they consume are made from halal ingredients or not (Altuntaş, 2019; Triana et al., 2023). According to KBBI Online, the definition of literacy is the ability to write and read, knowledge or skills in a particular field or activity, an individual's ability to process information and knowledge for life skills. Halal literacy was defined by Salehudin as the ability to differentiate halal and haram goods and services based on sharia (Islamic Law). Salehudin said halal literacy is the ability to distinguish between halal and haram goods and services based on Islamic law (syariah) (Salehudin, 2021).

Halal literacy teaches about distinguishing goods and services that are halal or haram, resulting in a better understanding of Islamic law or sharia. Halal literacy is a person's understanding regarding whether the product to be consumed is halal in accordance with Islamic law, starting from the ingredients, manufacturing process, tools, transportation used until it is received in the hands of consumers. Based on Law No. 33 of 2014 revised through Law No. 32 of 2020, it is necessary to have halal certification as an effort to protect against consumer.

According to Salehudin (2021), Halal literacy is the ability to distinguish between permitted (halal) and prohibited (haram) goods and services that comes from a better understanding of Islamic law (shariah). Muslim consumers have strict orders guiding their consumption behavior. However, Muslim individuals may have different observances regarding the commandments. "This difference in compliance can be explained by differences in the level of halal literacy in each individual." Meanwhile, according to the Indonesian Ministry of Religion in (Durratul et al., 2019) "A Halal Certificate is a written fatwa from the Indonesian Ulama Council (MUI) which states the halalness of a product in accordance with Islamic law. Provide a specific description (example contains a description of the condition of education in the work environment).

Halal certification according to (Khairunnisa et al., 2020) is a process carried out in order to obtain a halal certificate issued by the Indonesian Ulama Council (MUI) with several stages of inspection that prove that the proposed product, starting from the ingredients, production process and guarantee system, meets the standards of the Ulama Council's Food, Drug and Cosmetic Assessment Institute. Indonesia (LPPOM MUI) (Agustina et al., 2019). Food and beverage product certification aims to provide protection to consumers, not only Muslim consumers but also all consumers who are aware of the importance of cleanliness and safety for health.

Halal Certification aims to provide legal certainty regarding the halalness of products as an embodiment of consumer rights (Malahayati & Faizah, 2023). Through halal certification, MSME products will be accepted by the wider community (Nur & Istikomah, 2021). Externally halal certification can promote the image and reputation of the organization in the eyes of consumers. Halal certification is a very important instrument in ensuring business sustainability and efforts to strengthen MSMEs, which is proven by its positive influence on purchasing interest and purchasing decisions for MSME products (Rido & Sukmana, 2021).

Halal certification is a business ethic that producers should carry out as a halal guarantee for consumers. Apart from being a halal guarantee for consumers, the halal label provides economic benefits for producers including: (1) Can increase consumer confidence because it is guaranteed halal, (2) Has a USP (Unique Selling Point), (3) Able to penetrate the global halal market, (4) Increasing product marketability in the market, (5) Cheap investment compared to the revenue growth that can be achieved.

Sipirok Market is one of the traditional markets in Indonesia with the majority of MSME traders selling a variety of food and beverage products. However, it is suspected that MSMEs in this market still have low halal certification literacy.

Therefore, it is important to carry out halal certification literacy activities aimed at MSMEs in 'Aisyiyah Branch of Sipirok Market. It is hoped that this activity can increase MSMEs' understanding regarding halal certification so that more and more will obtain halal certificates.

## B. Research Methods

This community service activity was carried out on November 4-5 2023. Data collection was carried out through focus group discussions (FGD) and observation activities. The community service activities team also conducted a structured interview with Mrs. 'Aisyiyah, Sipirok market branch, South Tapanuli district. The community service team gathered basic understanding information regarding the raw materials used by Mrs. 'Aisyiyah to produce MSME products and how to process them. In the interview activity, the service team provided examples of certified raw materials through images displayed using infocus, the team showed the halal logo on the packaging of raw materials such as wheat flour, sugar, salt, food coloring and other raw materials with the aim of ensuring that Ms 'Aisyiyah at the Sipirok market as MSME actors have sufficient literacy so that the products processed meet halal certification standards. To increase MSME halal certification literacy, a series of outreach and mentoring activities involving 25 target MSMEs have been carried out. The education material includes a comprehensive introduction to halal concepts, procedures and requirements for BPJPH halal certification, as well as the benefits that can be obtained by having a halal certificate. Apart from counseling, mentoring activities are also carried out to assist MSMEs in preparing the documents and administration required to apply for halal certification from BPJPH. The service team also explained how to process raw materials that meet the criteria for halal products, including washing eggs before processing so that they are free from impurities/dirt attached to the egg shell. From the series of activities carried out by the service team, they then carried out a qualitative descriptive analysis to describe the partner's halal certification literacy conditions before and after the service activities were carried out.

## C. Results and Discussion

Based on an initial survey conducted on 25 MSMEs at Sipirok Market, it was discovered that as many as 18 MSMEs (72%) had not received halal certification from BPJPH. They generally still do not understand the procedures and requirements needed to obtain halal certification. Apart from that, they also don't know the benefits that can be obtained by having halal certification for the products they sell. In terms of understanding the concepts of halal and haram, most MSMEs already have a basic understanding. However, their understanding is still limited and does not include technical aspects such as materials, production processes and distribution that must be fulfilled in order for a product to be declared halal. Therefore, halal certification literacy among MSMEs in partner locations is still relatively low.

To increase MSME halal certification literacy, a series of outreach and mentoring activities involving 25 target MSMEs have been carried out. The education material includes a comprehensive introduction to halal concepts, procedures and requirements for BPJPH halal certification, as well as the benefits that can be obtained by having a halal certificate. Apart from counseling, mentoring activities are also carried out to assist MSMEs in preparing the documents and administration required to apply for halal certification from BPJPH. This assistance is provided personally to each MSME according to their respective products and needs.

After the implementation of counseling and assistance, there was a significant increase in halal certification literacy among MSME partners. This is marked by the increasing understanding of MSMEs regarding the halal concept as a whole, starting from raw materials, production processes, to product distribution. Apart from that, partner MSMEs also increasingly understand the stages and requirements that must be met to obtain halal certification from BPJPH. They are also increasingly aware of the urgency and benefits of halal certification for increasing the competitiveness of the products they produce.

Of the 25 MSME partners who took part in this literacy program, 18 MSMEs (72%) successfully applied for halal certification to BPJPH. Other MSMEs are still in the process of preparing documents and administration to immediately apply for halal certification. Thus, this literacy program can significantly increase MSMEs' awareness and understanding of halal certification. Even though the achievements of this

halal certification literacy program are quite good, there are still several obstacles faced by MSME partners. The main obstacle is limited understanding regarding the information technology needed to submit online halal certification to BPJPH. Therefore, it is necessary to provide more intensive and sustainable assistance to assist MSMEs in applying for halal certification online. Apart from that, cooperation with related agencies is also important to facilitate MSMEs' access to obtain halal certification through a special scheme for MSMEs. By overcoming various existing obstacles, it is hoped that the achievements of the halal certification literacy program for MSME partners can be more optimal. Ultimately, this increase in literacy can contribute to increasing the competitiveness of MSME products and the welfare of business actors.



**Figure 1.** Observation Activities with MSME actors 'Aisyiyah Sipirok Market Branch



**Figure 2.** Focus Group Discussion Activities with MSME Actors in the 'Aisyiyah Branch of Sipirok Market

For further research, it is recommended to monitor the long-term impact of increasing halal certification literacy for MSMEs. This can be done by measuring the increase in sales turnover, market access and competitiveness of MSME products after obtaining halal certification. Apart from that, further research can



also be carried out to identify the obstacles that MSMEs may face after obtaining halal certification, as well as strategies to overcome these obstacles. In this way, halal certification literacy activities for MSMEs can continue to be improved and have a greater impact on the development of MSMEs in Sipirok Market.

#### D. Conclusion

Based on the results of community service activities, it can be concluded that halal certification literacy for MSME business actors in the Sipirok Market Branch is still relatively low. Most MSMEs do not understand in depth the procedures, requirements and benefits of halal certification for the products they produce. Through outreach and mentoring activities, there has been a significant increase in halal certification literacy. As many as 72% of partner MSMEs successfully applied for halal certification after participating in this literacy activity. This shows that community service activities have a positive impact in increasing halal certification literacy for MSMEs at Sipirok Market.

#### E. Acknowledgments

We would like to thank those who have provided financial support for this community service.

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